

----- Forwarded message -----

From: **Grace Fenstermaker** <gfenstermaker@geopols.com>

Date: Wed, Apr 8, 2020 at 7:21 PM

Subject: Re: Thank you for your time and meeting yesterday

To: Thomason, Jett <ThomasonJ@state.gov>

Cc: mlauer@geopols.com <mlauer@geopols.com>

Hi Jett,

I hope you are well. The official answers have returned from the bureaucracy process at long last. I've placed them below in this email.

Additionally, they have provided answers to some of the questions I believe you asked in person back in February.

Please let us know if this is helpful.

Separately, once you're back from paternity leave, VEB would be interested in setting up a follow-up VC with you and some of your colleagues to discuss a few of the initiatives they are working on in the new era of coronavirus. Let me know if you'd be keen to do this and we'll coordinate.

Kind regards,
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No, VEB is not legally allowed to work on anything related to the military sector.

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The areas of investment activities for VEB.RF are set forth by the Memorandum on the Financial Policies approved by Resolution of the Russian Government No. 1510, dated July 23, 2018, and include the

development of infrastructure, development of high-tech manufacturing, and the development of innovations.

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Based on the Memorandum, in late 2018, VEB.RF's Supervisory Board approved VEB.RF's Business Model 2024 which sets three sectoral priorities for the investment activities of VEB.RF: (i) infrastructure (transport, power, etc.); (ii) added-value industry; (iii) urban economy.

VEB.RF may support projects aimed at repurchasing existing defense production capacities to civil industry. According to the Federal law VEB.RF may cooperate with defense industry companies, but only on projects that are related to non-defense.

2. Is VEB.RF financing infrastructure projects with Stroyproyektholding and Arkady Rotenberg? Can VEB.RF provide any more information about the project and goals?

VEB.RF has no binding agreements in place. VEB.RF is currently considering to contribute cash into equity of a proposed joint venture, "Natsproyekstroy" ("NPS"), consolidating the largest development and engineering assets. VEB.RF looks to finance or partner with the entities that are most beneficial for Russian development on a not-for-profit basis.

Following contribution VEB.RF is expected to hold approximately 43% interest in NPS. The other shareholder of NPS with a proposed interest of approximately 43% is expected to contribute development and engineering assets currently owned by Stroyproyektholding. Approximately 14% interest shall be acquired by a strategic investor. Once the definitive structure and binding documents in respect of NPS are in place, VEB.RF will announce them publicly. It is worth noting, that in connection with participation in NPS VEB.RF does not transact with any blocked persons and complies with the requirements of international standards and follows the best legal practices.

As a state development corporation established for the public good, VEB aims to help create a national infrastructure financing and development leader that should be able to execute the most ambitious national projects in the area of transport and urban infrastructure. The proposed investments of up to 9 billion roubles are expected to boost infrastructure development and economic growth by increasing the share of infrastructure development in GDP by 2-3%.

At the current stage, the Russian development market is extremely unconsolidated and lacks large and technologically advanced players. The entire Russian development sector is not able to produce more than 40% of the proposed investments.

VEB has thoroughly reviewed successful international practices and determined that state support is being provided not only to specific projects but also to development and engineering companies. In South Korea examples are Samsung C&T, Korea Electric Power Corporation, and Korea Land and Housing Corporation; in Japan—Japan Highway Public Corporation, Japanese National Railways and Teito Rapid Transit Authority; in China—China State Construction Engineering Corporation, China Railway Group, China Railway Construction, China Communication Construction Group, China Gezhouba Group, and CITIC Construction. VEB is convinced that creating a national infrastructure financing and development leader is essential for successful implementation of national projects in the area of transport and urban infrastructure.

3. How much funding comes from overseas versus the Russian government?

VEB.RF receives funding from different Russian and foreign sources, including bonds issued on the Russian market in Rubles, interbank lending market in Rubles, Eurobonds issued at ISE in US Dollars prior to 2014, funds of the Russian Government and Central Bank.

Within a 9 month period in 2019, VEB.RF made the following operations with the Russian Government, its authorized institutions and the Bank of Russia:

- Federal Treasury placed a deposit of RUB 200bn for the period of up to 5 years;
- VEB.RF received subsidies from the Russian federal budget in the form of asset contributions of the Russian Federation in the amount of RUB 25.2 bn. This sum goes directly into the projects, i.e. not to VEB.RF.

- The draft of the Russian federal budget for 2020-2022 envisages asset contribution of the Russian Federation to VEB.RF in the amount of RUB 161.0 bn.

Apart from the above sources, VEB.RF also has interest-bearing loans and deposits from the Bank of Russia in the amount of 219.4 billion Rubles (source – page 20, paragraph 6 “Operations with the Russian Government, its authorized institutions and the Bank of Russia” of Interim condensed consolidated financial statements as at 30 September 2019).

Overall, the funding of VEB.RF planned for 2020 is expected to contain over 70% sourced from the Russian internal market and from the state budget and only 30% from abroad.

Due to existing restrictions, we forecast that funding proportion between domestic and foreign markets will change in 2020 to 80% and 20% respectively. However, based on our pipeline, starting from 2021 there is a plan to raise share of overseas investments to 30% primarily under ECA covered loans and trade finance (especially for “green” projects) in non-US currencies from EU, Japanese, Chinese counterparties and other non-US persons. Subject to ease-off in US sanctions, projects related to US export into Russia may be potentially regarded as eligible for ECA covered loans and trade financing (especially for “green” projects) and VEB.RF could be involved in financing and supporting these projects.

4. What is China doing under the belt-and-road initiatives?

VEB.RF does not participate in any initiatives under the belt-and-road initiatives of China.

In the context of further promotion of economic cooperation between Russia and China, their governments exercise their powers with the purpose of financing different investment opportunities for the benefit of their people, which process could only gain from involvement of development institutes such as VEB.RF and Chinese financial institutions.

The Chinese belt and road initiative aims to achieve infrastructural development progress across main trade routes from China to Europe. Based on publicly available information, this is consistent with Russia’s own initiative to promote closer economic cooperation across the territories of the Eurasian Economic Union (EEU). In the context of further promotion of closer economic cooperation between Russia and China, VEB.RF has launched cooperation with Chinese policy partner banks. As part of this process, in the past years VEB.RF has signed a number of documents on strategic cooperation in Russian and Chinese national currencies.

VEB.RF has a great number of valid credit facility agreements in non-US currencies with different non-US financial institutions, which include Chinese banks. In particular, in September 2018 VEB.RF has entered into a framework agreement with CDB for a maximum amount of CNY 12 bln to finance integration projects across the EAEU and China’s Belt and Road Initiative (source – page 45 of Annual Report of VEB.RF for 2018.) In November 2017, VEB and the Export – Import Bank of China have signed a CNY framework line of credit agreement up to 3 billion US dollars^[1]. VEB.RF cooperates with other development institutions within the framework of BRICS Interbank Consortium and SCO Interbank Cooperation Mechanism.

Apart from that, VEB.RF is a member of the Russia-China Intergovernmental Commission on Investments, where both countries assess projects beneficial for mutual cooperation. If you are interested in more detailed information about Russian-Chinese cooperation, please visit the websites of Russian and Chinese Ministries of Foreign Affairs.

5. How do you deal with news like Michael Calvey?

VEB.RF is unrelated to these matters. Whether there are reasonable legal grounds is beyond VEB.RF’s investment agenda and falls to the competence of Russian enforcement authorities.

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On Fri, Mar 27, 2020 at 8:18 PM Thomason, Jett <ThomasonJ@state.gov> wrote:

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Hope you and your family is healthy - good luck managing everything remotely.

Best,
Jett

From: Grace Fenstermaker <gfenstermaker@geopols.com>

Sent: Thursday, March 19, 2020 9:43 AM

To: Thomason, Jett <ThomasonJ@state.gov>

Cc: mlauer@geopols.com <mlauer@geopols.com>

Subject: Re: Thank you for your time and meeting yesterday

Hi Jett,

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Separately, in this new era of remote meetings, we are happy to arrange for a VC between VEB and you or some of your colleagues in the coming weeks if that would be of interest.

Kind regards,
Grace

On Fri, Feb 14, 2020 at 3:11 PM Grace Fenstermaker <gfenstermaker@geopols.com> wrote:

Thanks, Jett. We'll take a look at these items and get back to you.

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On Fri, Feb 14, 2020 at 9:09 AM Thomason, Jett <ThomasonJ@state.gov> wrote:

Dear Alexey and Andrey,

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1. You said VEB.RF is legally not allowed to work on anything related to the military sector. Is this a law or just VEB.RF regulation? Would you send me a link to that law? It is helpful information when I'm answering any questions about the nature of VEB.RF now.
2. There was a recent story in RBC about VEB.RF financing infrastructure projects with Stroyproyektholding. Can you provide any more information about the project and goals? The link to that story is here: <https://www.rbc.ru/business/16/01/2020/5e1df4679a79476aa1e84b84>

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Jett Thomason

Economic Analyst, Russia and Eurasia

Office of Economic Analysis

U.S. Department of State

Office: (202) 647-9729

thomasonj@state.gov

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Sent: Friday, April 10, 2020 10:55 AM
To: Thomason, Jett
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Subject: Re: Thank you for your time and meeting yesterday

Follow Up Flag: Follow up
Flag Status: Flagged

Hi Jett,

I hope you are well.

Just for the avoidance of doubt, wanted to make it clear that this material is distributed by Geopolitical Solutions LLC on behalf of State Development Corporation "VEB.RF" through the International Center for Legal Protection. Additional information is available at the Department of Justice, Washington, DC.

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